

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07

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FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 214

LIMITED OFFICIAL USE SECTION 1 OF 2 BUDAPEST 4473

E.O. 11652: N/A

TAGS: ECON, PINT, PGOV, HU

SUBJECT: HUNGARIAN NATIONAL ASSEMBLY MEETS TO APPROVE ECONOMIC
POLICY

REF: BUDAPEST 4147

1. HUNGARY'S NATIONAL ASSEMBLY HELD ITS WINTER SESSION
DECEMBER 15 AND 16. THE AGENDA CONSISTED OF THE PRESENTA-
TION OF: THE 1978 BUDGET, A BILL REGULATING STATE
ENTERPRISES, AND A RESOLUTION ENDORSING THE CPSU CENTRAL
COMMITTEE'S NOVEMBER 7 STATEMENT ON THE PROMOTION OF
PEACE AND DETENTE. ALL WERE APPROVED. THE ASSEMBLY WAS
ATTENDED BY VIRTUALLY THE ENTIRE GOVERNMENT AND PARTY
LEADERSHIP. FIRST SECRETARY JANOS KADAR NOT ONLY
ATTENDED BUT MANAGED TO LOOK ATTENTIVE AND INTERESTED
LONG AFTER MOST DELEGATES HAD LAPSED INTO BOREDOM OR
WERE CHATTING WITH THEIR NEIGHBORS.

2. THE 1978 BUDGET WAS PRESENTED BY ATTILA MADARASI,
STATE SECRETARY OF THE MINISTRY OF FINANCE, AND SUPPORTED
BY DEPUTY PREMIER ISTVAN HUSZAR. BOTH MEN PRESENTED
LENGTHY REVIEWS OF THE CURRENT ECONOMIC SCENE, ALONG
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LINES ALREADY FAMILIAR FROM THE DECEMBER 1 HSWP CENTRAL
COMMITTEE COMMUNIQUE (REFTEL) AND OTHER PUBLIC PRESENTA-
TIONS. BOTH APPLAUDED THE REPID GROWTH ACHEIVED IN 1977,
BUT NOTED THAT THE SITUATION WAS NOT ENTIRELY FAVROABLE,
CITING UNFAVORABLE HARD CURRENCY TRADE BALANCES, EXCESSIVE
INVESTMENT EXPENDITURES, AND A TOO-RAPID RISE IN BUDGET
EXPENDITURES -- PARTICULARLY SUBSIDIES. 1978 IS TO BE A

YEAR OF SLOWER GROWTH, WITH EMPHASIS ON CONSOLIDATION, COMPLETION OF INVESTMENTS ALREADY UNDERWAY, IMPROVEMENT OF PRODUCT QUALITY, AND INTENSIFIED EFFORTS TO IMPROVE PRODUCT STRUCTURE.

3. HUSZAR IN PARTICULAR STRESSED THAT OUTMODED WORK HABITS AND MANAGEMENT TECHNIQUES HAVE TO BE IMPROVED -- A PROCESS WHICH IS TO BE ENCOURAGED BY MODIFICATION OF REGULATORS TO STRENGTHEN THE CORRELATION BETWEEN ENTERPRISE PERFORMANCE AND EARNINGS. HE APPEALED FOR PUBLIC UNDERSTANDING AND SUPPORT: "WHY SHOULD PUBLIC OPINION REFUSE TO ACCEPT THE FAIR PRACTICE THAT THE REALLY EFFICIENTLY WORKING COMMUNITIES AND INDIVIDUALS SHOULD GET A LARGER SHARE OF THE GOODS PRODUCED THAN THOSE WORKING INEFFICIENTLY?"

4. THE ACTUAL BUDGET HAS NOT YET BEEN PUBLISHED, AND ONLY A FEW FIGURES WERE CITED IN THE PRESENTATIONS. TOTAL REVENUE IS PLANNED TO BE 385.9 BILLION FORINTS, TOATAL EXPENDITURES 389.7 BILLION -- A GROWTH IN BOTH FIGURES OF 6.8 PERCENT. BUDGETARY INCOMES DERIVED FROM ENTERPRISES WILL INCREASE 6-7 PERCENT, WHILE SUBSIDIES WILL INCREASE BY ONLY 3 PERCENT. RESEARCH AND TECHNOLOGICAL DEVELOPMENT EXPENDITURES WILL REACH 16 BILLION FORINTS, UP 10 PERCENT FROM 1977.

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5. JUSTICE MINISTER MIHALY KOROM INTRODUCED A BILL ON STATE ENTERPRISES, AND MINISTER FOR LIGHT INDUSTRY MRS. JANOS KESERU SUPPORTED THE BILL. THIS BILL ALSO HAS NOT YET BEEN PUBLISHED, BUT IT WAS DESCRIBED AS REPLACING THE 1967 DECREE OF THE COUNCIL OF MINISTERS WHICH HAS HITHERTO DEFINED THE RESPONSIBILITIES AND ORGANIZATION OF STATE ENTERPRISES. THE BILL CONTAINS SECTIONS DEFINING: RIGHTS AND DUTIES OF ENTERPRISES VIS A VIS THE STATE; RELATIONS BETWEEN TRUSTS, ENTERPRISES, AND CONSTITUENT FACTORY UNITS OF ENTERPRISES; AND RIGHTS AND OBLIGATIONS OF MANAGERS VIS A VIS THEIR WORKERS AND STAFFS. THE BILL TREATS "PUBLIC UTILITY ENTERPRISES" AS A SPECIAL TYPE. THIS IS CATEGORY (INCLUDING FOR EXAMPLE ELECTRICITY, GAS, WATER, BATHING AND SANITARY SERVICES, LOCAL TRANSPORT AND HEALTH AND CULTURAL FACILITIES) WITH WHICH "THE POPULATION HAS THE MOST TROUBLE." PUBLIC UTILITY ENTERPRISES WILL BE SUBJECT TO CLOSER CENTRAL SUPERVISION AND DIRECTION THAN OTHER STATE ENTERPRISES.

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6. IN HIS PRESENTATION, KOROM DISCUSSED POSSIBILITY THAT ENTERPRISES WILL ENCOUNTER CONFLICT BETWEEN THEIR GROUP INTERESTS AND THE INTEREST OF THE WHOLE OF SOCIETY. HE DISAGREES WITH THOSE WHO SAY THAT ENTERPRISES SHOULD GIVE PRIORITY TO GROUP INTEREST WHILE STATE LOOKS AFTER INTEREST OF SOCIETY. UNDER SOCIALIST CONDITIONS, INTERESTS CAN GENERALLY BE HARMONIZED. "IF THERE IS A CLASH -- WHICH IS NOT IMPOSSIBLE EVEN UNDER SOCIALIST CONDITIONS -- THE NECESSARY HARMONY CAN BE BROUGHT ABOUT BY GIVING PRIORITY TO THE INTERESTS OF SOCIETY."

7. WITH REGARD TO MANAGEMENT-WORKER RELATIONS, "THE BILL CONFIRMS THE RULE THAT ... THE MANAGER CARRIES OUT HIS ASSIGNMENT WITHIN DEFINITE LIMITS INDEPENDENTLY AND WITH INDIVIDUAL RESPONSIBILITY." THE MANAGER IS ALSO RESPONSIBLE FOR THE WELL-BEING OF HIS EMPLOYEES; AT SAME TIME, EMPLOYEES HAVE THE RIGHT TO PARTICIPATE IN DRAWING UP OF PLANS AND TO EXPRESS OPINIONS ON THE FULFILLMENT OF THE PLAN AND ON THE MANAGER'S PERFORMANCE. KOROM NOTED THAT THE BILL "DOES NOT ENUMERATE IN DETAIL THE FORM AND FORUMS OF WORKPLACE DEMOCRACY"; THIS IS THE RESPONSIBILITY OF THE COUNCIL OF MINISTERS AND NATIONAL COUNCIL OF TRADE UNIONS.

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8. IN DISCUSSING STATE SUPERVISION OF THE ECONOMY, KOROM MENTIONED THAT A BILL REGULATING PUBLIC FINANCE

AND MONETARY MANNERS IS BEING PREPARED AND WILL BE PRESENTED TO THE NATIONAL ASSEMBLY "PROBABLY IN 1978."

9. THE ENTERPRISE BILL IS DESIGNED TO MEET A TWOFOLD AIM: "ON THE ONE HAND IT WILL CONTINUE TO INCREASE THE EFFECTIVENESS OF CENTRAL DIRECTION AND ON THE OTHER IT WILL AUGMENT THE INDEPENDENCE OF ENTERPRISES WHICH CONSTITUTE THE BASIC UNITS OF THE ECONOMY." IT IS CLAIMED THAT THERE IS NO CONFLICT BETWEEN THESE SOMEWHAT DIALECTICAL GOALS. THE INTENT SEEMS TO BE TO CLARIFY AND STRENGTHEN THE STATUTORY INDEPENDENCE AND RESPONSIBILITY OF ENTERPRISES, WITHIN THE FRAMEWORK OF MORE EFFECTIVE STATE PLANNING AND USE OF REGULATORS. SOME OF THE LANGUAGE SEEMS TO INDICATE THAT THE SUPERVISORY AUTHORITY OF THE SECTORAL MINISTRIES WILL BE LIMITED, WHILE THE COUNCIL OF MINISTERS AND FUNCTIONAL BODIES SUCH AS THE NATIONAL PLANNING OFFICE, MINISTRY OF FINANCE, AND MINISTRY OF LABOR WILL PLAY A MORE IMPORTANT ROLE, BUT ANY DEFINITE JUDGEMENTS MUST BE POSTPONED UNTIL THE BILL ITSELF IS PUBLISHED.

10. SPEAKER OF THE NATIONAL ASSEMBLY ANTAL APRO, IN OPENING THE SESSION, REFERRED TO THE NOV. 7 DECLARATION OF THE CENTRAL COMMITTEE OF THE CPSU, THE SUPREME SOVIET OF THE USSR, AND THE SOVIET COUNCIL OF MINISTERS WHICH CALLED FOR THE STRENGTHENING OF PEACE AND DETENTE AND THE HALTING OF THE ARMS RACE. APRO PROPOSED A RESOLUTION SUPPORTING THE SOVIET RESOLUTION; IT WAS APPROVED WITH NO FURTHER DISCUSSION.

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